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IN THE

Supreme Court of the United States

October Term, 1941

No. 557

HANCOCK OIL COMPANY,

Petitioner,

vs.

UNIVERSAL OIL PRODUCTS COMPANY,

Respondent.

Petition for Writ of Certiorari to the United States Circuit Court of Appeals for the Ninth Circuit and Brief in Support Thereof.

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PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE NINTH CIRCUIT.

To the Honorable Chief Justice and the Associate Justices of the Supreme Court of the United States:

Your petitioner, The Hancock Oil Company of California—designated in the court below "Hancock Oil Company" and so designated in the title to documents filed in the Circuit Court of Appeals for the Ninth Circuit, hereafter for convenience referred to as "Hancock"—respectfully files and submits this as its Petition for a Writ of Certiorari to review a decision and judgment of the United States Circuit Court of Appeals for the Ninth Circuit.

Summary and Brief Statement of Matter Involved.

A bill of complaint in the District Court was filed by Universal Oil Products Company, a corporation organized under the laws of the State of South Dakota, alleging that Hancock had infringed three cracking patents owned by complainant. The bill of complaint was filed on March 12, 1935. A supplemental bill of complaint was later, to-wit, on March 31, 1936, filed, in which it was alleged in addition to other matters set forth in the bill of complaint that all the interests of plaintiff and rights under the patents involved had since the commencement of the action been assigned to Universal Oil Products Company, a corporation organized under the laws of the State of Delaware.

The supplemental complaint, in addition to alleging the change in plaintiffs, alleged that two of the three patents involved in the suit at bar, had, by the District Court for the District of Delaware, been declared good and valid, and that thereafter, upon an appeal of said case to the Circuit Court of Appeals for the Third Circuit, the latter court had, after commencement of the case at bar, affirmed the decree of the lower court declaring said patents valid. [Tr. pp. 12-18.] Hancock filed its answer to the bill of complaint [Tr. p. 18] and its answer to the bill in the nature of a supplemental bill of complaint [Tr. p. 42] and by leave of court filed a counterclaim and petition for declaratory relief. [Tr. p. 46.] While said case was so pending in the District Court, *not having been set for trial,* Hancock moved the Court for permis-

sion to file amendments to its answers and counterclaim, said amendments setting up that Universal had been guilty of most reprehensible conduct in obtaining the Dubbs patent, the principal patent involved in the case at bar. The amendments charged among other things, that one Behimer had filed with the Patent Office an application for a patent involving the main points of invention claimed in the Dubbs patent involved in this suit, prior to the application of Dubbs, and that Behimer was the true inventor of the process; that in 1923 the Dubbs patent was declared to be in interference with the Behimer patent; that Behimer had signed statements and affidavits showing his invention to be prior to that claimed by Dubbs; that prior to August, 1927, Behimer was in the employ of the Texas Company, to which company the Behimer invention had been assigned, and that in the month of August, 1927, Behimer was offered $225,000.00 by Universal, and employment, if he would leave the employ of The Texas Company and enter the employ of Universal; that Behimer accepted the offer and on October 5, 1927, at the request of Universal, signed an affidavit which entirely changed the color of his former affidavits filed with the Patent Office, and in which affidavit he stated that the work he had done prior to filing his application for a patent "was merely an abandoned experiment and not a reduction to practice." [Tr. p. 88 *et seq.*]

The proposed amendments set forth that Behimer was thereafter an unwilling witness for The Texas Company

in said contest, and an unwilling witness for anyone attacking said Dubbs patent. The proposed amendments further allege that The Texas Company was, by reason of said act of Behimer's, compelled to, and did settle and terminate the interference in said Patent Office and that said determination of the interference was made without the taking of any testimony or proofs whatsoever. [Tr. p. 90.]

The proposed amendments then set out a course of conduct by Universal, together with other members of the cracking patent monopoly group, constituting a most flagrant and vicious violation of the Sherman Antitrust law, and setting forth great injury and damage to Hancock by reason of said activities of Universal and its associates, and praying for an injunction enjoining Universal from further persecution of Hancock, the violations under the Sherman Antitrust law having particularly to do with the patents involved in the suit at bar.

The proposed amendments further allege that the judgments of the District Court in Delaware and the United States Circuit Court of Appeals for the Third Circuit declaring the patents involved in the suit at bar, to be legal patents—were obtained by suppressing all evidence relating to these matters. [Tr. p. 129 *et seq.*]

In support of Hancock's motion for leave to file the amendments a supplemental affidavit of Hancock sets forth that the first knowledge Hancock had of the facts set forth in the proposed amendments was obtained in

March, 1939 [Tr. p. 146] and in detail shows how the information was obtained and from whom it was obtained.

The District Court, without writing an opinion, denied defendant's motion. [Tr. pp. 340-1.] Hancock then prosecuted its appeal to the Circuit Court of Appeals for the Ninth Circuit, and on August 8, 1940, Universal moved to dismiss the appeal on the ground that the order was not appealable. This motion was argued on October 14, 1940, and the motion to dismiss was denied as to the counterclaim, and the "questions of appealability concerning the proposed amended answer's allegations" were reserved until the argument on the merits of the appeal. The court's opinion on this motion is set out in the transcript commencing at page 365. On March 20, 1941, the appeal was argued on the merits and on June 13, 1941, the Circuit Court of Appeals rendered judgment dismissing the appeal from the order refusing to allow the filing of the amendments to the answer, and affirming the District Court's ruling and order denying Hancock the right to file the amendments to the counterclaim. The opinion of the court is set forth in the transcript at page 375.

Basis of This Court's Jurisdiction.

1. The decision of the Circuit Court of Appeals in holding that the denial of the District Court of Hancock's motion for leave to file amendments to its counterclaim, when that counterclaim is a compulsory counterclaim under the rules of Civil Procedure for District Courts of the United States, and the motion to file the amendments is made within thirty days after Hancock discovered facts upon which the proposed amendments are based, was not an abuse of discretion—is in conflict with the prior decisions of Circuit Courts of Appeals of other Circuits and with prior decisions of this Court, and certiorari is the proper method for correcting the error.

Judicial Code, Sec. 262, 28 U. S. C. A., Sec. 377;

Judicial Code, Sec. 240(a), 28 U. S. C. A., Sec. 347;

620 Church Street Building Corporation et al., Petitioners, 299 U. S. 24-27; 81 L. ed. 16;

United States v. Beatty, 232 U. S. 464; 58 L. ed. 686;

American Construction Co. v. Jacksonville, etc., 148 U. S. 372, 37 L. ed. 486;

Re Chetwood, 165 U. S. 443; 41 L. ed. 782;

Magnum Import Co. v. Coty, 262 U. S. 159; 67 L. ed. 922.

2. The decision of the Circuit Court of Appeals in holding that the proposed amendment to the answer, when filed with proposed amendment setting out counterclaim,

and as a part thereof, was not a final order and not appealable, is in conflict with a prior decision of said court, and with the law—to-wit:

Hancock Oil Company v. Universal Oil Products Company (C. C. A. 9th), 115 Fed. (2d) 45;

Equity Rule 30 (28 U. S. C. A., Sec. 732);

Rules of Civil Procedure for the District Courts of the United States, Rule 13.

3. The decision of the Circuit Court of Appeals in holding, in effect, that petitioner was guilty of laches in not having presented the proposed amendments to the answer and counterclaim at an earlier date is in conflict with the decisions of Circuit Courts of Appeals of other jurisdictions and of this court in that laches should never be imputed when the question of unclean hands is concerned. It is not strictly a defense, but is a matter which the court itself, will inquire into *sua sponte* at any time the matter is called to its attention.

Memphis Keeley Inst. v. Leslie E. Keeley Co., 155 Fed. 964 (C. C. A. 6th);

Moxie Nerve Food Co. v. Modox, 152 Fed. 493;

Uri v. Hirsch, 123 Fed. 568;

C. F. Simmons Medicine Co. v. Mansfield Drug Co., 93 Tenn. 84, 23 S. W. 165;

63 *Corpus Juris* 541.

4. The date of the decree of the Circuit Court of Appeals sought to be reviewed is June 13, 1941.

The Questions Presented.

Is the denial by the District Court in a patent infringement suit of the motion of Hancock for leave to file amendments to its answer and counterclaim a gross abuse of discretion where—

1—the uncontradicted supporting affidavits of Hancock show that the additional facts sought to be set up were discovered by Hancock less than thirty days prior to the time the notice of motion to file the amendments was given;

2—such additional facts set up a valid, *compulsory* counter-claim under the rules of Civil Procedure for the District Courts of the United States, said counterclaim praying for an injunction against Universal; and

3—the proposed amendments set up an additional complete defense to the action; and

4—the case is not set for trial and no showing is made of any prejudice or inconvenience to complainant?

Reasons Relied Upon for the Allowance of the Writ.

1. Hancock was sued in the District Court by Universal for infringing three patents for the cracking of oil, claimed to be owned by Universal, the complainant in suit, the complainant alleging also that two of the three patents sued upon had been declared valid patents in a fully contested suit tried in the District Court of the United States for the District of Delaware, which decision of the District Court had been affirmed by the United States Circuit Court of Appeals for the Third Circuit.

About the middle of March, 1939, W. T. Hancock, an officer of Hancock, petitioner herein, was called to Washington, D. C. by a United States Assistant Attorney General in the Department of Justice who was investigating the facts concerning a group of corporations in relation to the possible violation of the Sherman Antitrust law in connection with the cracking patent monopoly group [Tr. p. 146], and while there, for the first time, discovered among other things of which Hancock had no knowledge prior thereto—

(a) That in an interference contest in the Patent Office in which it was contended that one Otto Behimer was the prior inventor of the process claimed by Universal in the main patent sued upon in the case at bar and which patent invented by Behimer was then owned by The Texas Company, Behimer being then and for many years prior thereto had been in the employ of The Texas Company, that Universal had bribed Behimer by payment to him of $225,000.00 to leave the employ of The Texas Company and accept employment from Universal [Tr. p. 88], and that after Universal so bribed Behimer,

they obtained from him an affidavit which entirely changed the color of his former affidavits filed with the Patent Office, in which latter affidavit he stated that the work he had done prior to filing his application for a patent "was merely an abandoned experiment and not a reduction to practice". That after the filing of said affidavit The Texas Company was compelled to and did settle and terminate the interference in said Patent Office, and that said determination in the Patent Office was made without the taking of any testimony or proofs whatsoever. [Tr. p. 90.]

(b) That Universal, together with the Standard Oil Company of Indiana, the Standard Oil Company of New Jersey and other major oil companies had entered into a series of agreements between themselves whereby Universal and its associates obtained and now control the sale of ninety per cent of all cracked gasoline sold in the United States. The facts regarding these agreements are set out in some detail in the proposed amendments. [Tr. p. 123.]

Immediately upon discovering the above facts and in less than 30 days thereafter, Hancock filed and served its notice of motion for leave to amend its answer and counterclaim by setting up the new facts just discovered, and in the counterclaim prayed for relief by injunction against Universal.

Universal opposed the motion of Hancock to be allowed to set up its new defenses and counterclaim because of delay in presenting the same, and alleged that Universal had been engaged in a suit in the United States District Court in Texas against Danciger Refineries Company, Inc., in which the infringement of two of the

same patents involved in the case at bar were the subject of the suit, and that on October 10 1938, Danciger Refineries, Inc., had filed an answer and counterclaim in which the identical defenses which Hancock sought to set up had been relied upon by defendant. This was urged to show that Hancock should have known about these facts as early as October, 1938, for the reason that the allegations were made a matter of public record in Texas at that time. Universal, in opposing Hancock's motion to file its amendments presented an affidavit to which was attached copies of articles appearing in a magazine published August 3, 1938, which publicized the fact that in a District Court in the Northern District of Illinois a similar defense had been set up. [Tr. p. 289 *et seq.*] Counter-affidavits were filed by Hancock setting forth that Hancock had not known of the publications nor of the suits in Texas and Illinois until March, 1939, when Mr. W. T. Hancock in discussing the matter with A. Danciger, in Washington, and with the United States Assistant Attorney General, had ascertained these facts. [Tr. p. 146.]

The Circuit Court of Appeals [Tr. p. 382] determined that Hancock was not diligent in not having found out that the suit in Texas was pending—the opinion stating that all Hancock would have to do—

> "would be to make periodic inspection of the patent office file wrappers of the patents in suit, for under 35 U. S. C. A. Sec. 70 it is the duty of the Clerk of the District Courts 'within one month after the filing of any action . . . arising under the patent laws, to give notice thereof in writing to the Commissioner of Patents, setting forth in order . . .' the names and addresses of the litigants,

names of the inventors, the numbers of the patents involved, and subsequent notice of any additions of other patents by amendment to the complaint, answer or cross bill or other pleading."

The Circuit Court of Appeals does not indicate how often the records of the Patent Office should be examined, but it evidently thought that inasmuch as the answer in the Danciger Refineries, Inc., case was filed in Texas on October 10, 1938, Hancock should have proceeded to Texas to investigate the pleadings, ascertain the allegations in the answer and counterclaim and then do its best to run down the evidence of the truth or falsity of the allegations and attempt to determine for itself whether or not such a defense is reasonably available, and that not having completed that before April 10, 1939, the date of filing its notice of motion, being in all a total of five months—that it was guilty of lack of diligence so gross as to warrant a court in denying to it the right to present its amended counterclaim and its new defense, notwithstanding the fact that the same constituted a valid and *compulsory* counterclaim and an absolute and complete defense to plaintiff's action.

The foregoing, it would seem, give ample reason for this court to allow the writ of certiorari.

Your petitioner presents herewith, as part of this petition, a brief setting forth more fully its views upon the questions involved, and also presents a transcript of the record in the Circuit Court of Appeals.

Wherefore, your petitioner respectfully prays that a writ of certiorari may issue out of and under the seal of this court, directed to the United States Circuit Court

of Appeals for the Ninth Circuit commanding said court to certify and send to this court, on a day certain, to be therein designated—a full and complete transcript of the record and all proceedings in said Circuit Court of Appeals in said case therein entitled "Hancock Oil Company, Appellant, vs. Universal Oil Products Company, Appellee" numbered 9530 in said court, to the end that said case may be reviewed and determined by this Court and that the said judgment of the Circuit Court of Appeals in said case may be reviewed by this Honorable Court, and that your petitioner may have such other and further relief in the premises as to this Honorable Court may seem just.

THE HANCOCK OIL COMPANY OF CALIFORNIA
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Petitioner,

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